

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6389**

**BILL NUMBER:** HB 1360

**NOTE PREPARED:** Dec 1, 2006

**BILL AMENDED:**

**SUBJECT:** Common Construction Wage.

**FIRST AUTHOR:** Rep. Leonard

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires that notice of a meeting of a committee to determine the common construction wage must be published on the Internet.

The bill increases to \$500,000 the base amount under which a common construction wage need not be determined for 2008. It provides for adjusting the base amount for each year after 2008.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The bill increases from \$150,000 to \$500,000 the base amount under which a common construction wage need not be determined for FY 2008. The impact on the state would be in the funding of construction projects. In FY 2006 the Division of Public Works of the Department of Administration reviewed 36 public works projects between \$150,000 and \$500,000. The total cost of the projects between \$150,000 and \$500,000 is estimated to be about \$9 M.

The impact of these changes is expected to vary by project. However, a number of studies suggest that wage determination provisions generally increase the labor cost of public works projects from 5% to 16%. Under this assumption, the saving to the state could be between \$0.5 M and \$1.4 M based on the number of projects in FY 2006.

However, other studies argue for prevailing wage-type systems on the grounds that they lead to greater efficiency, quality, and safety by providing for a stable, well-trained labor force. Under this assumption, the bill could cost the state in the long run, although the additional costs are unknown. Unfortunately, data limitations and questionable methodology limit the conclusiveness of many studies on prevailing wage laws.

Secondary impact: If, as some studies have shown, common wage requirements increase the costs of labor to the state, then lower wages may have the following effects:

- State income tax collections could decrease (assuming no decrease in employment levels), reducing consumption and further decreasing sales tax revenue;
- Debt incurred to finance projects could decrease due to lower project costs, requiring reduced bonding or property taxes; and
- Funds that may have been used for the project could be available for other public works projects. Similarly, capital expenses could be less, making more funding available for noncapital expenses in project budgets.

**Explanation of State Revenues:** See *Explanation of State Expenditures*.

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:** Tom Coulter, Department of Administration 232-3021.

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